CARLISLE CITY COUNCIL
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Report to Audit Committee

Agenda Item:

Meeting Date:	28 September 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	No
Within Policy and Budget Framework	YES
Public / Private	Public

Title:	TREASURY MANAGEMENT: APRIL TO JUNE 2022
Report of:	CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number:	RD 33/22

Purpose / Summary:

This report provides the regular quarterly report on Treasury Transactions including the requirements of the Prudential Code.

Recommendations:

That this report be noted

Tracking

Executive:	30 August 2022
Audit Committee:	28 September 2022
Council:	Not applicable

Carlisle City Council
Report to Executive

Report details

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Purpose / Summary:

This report provides the regular quarterly report on Treasury Transactions including the requirements of the Prudential Code.

Recommendations:

Members are requested to note

(i) That this report be received, and the Prudential Indicators noted as at the end of June 2022.

Tracking

Executive:	30 August 2022
Audit Committee:	28 September 2022
Council:	Not applicable

1. Background

1.1 The purpose of this report is to inform Members on various Treasury Management issues. The report is set out as follows:

(i) Appendix A sets out the schedule of Treasury Transactions for the period April–June 2022
- Appendix A1 – Treasury Transactions April to June 2022
- Appendix A2 – Investment Transactions April to June 2022
- Appendix A3 – Outstanding Investments at June 2022

(ii) Appendix B discusses the Prudential Code and Prudential Indicators for 2022/23
- Appendix B1 – Prudential Code background
- Appendix B2 – Prudential Indicators

2. Risks

2.1 The Council's Treasury Management function is responsible for investing the Council's surplus cash balances and managing cash flows appropriately. The Treasury Management Strategy Statement and the Treasury Management Practices are completed and approved in line with the CIPFA Code and include appropriate mechanisms for dealing with the Council's investments and borrowing needs.

3. Consultation

3.1 Audit Committee will consider the report on 28 September 2022.

4. Conclusion and Reasons for Recommendations

4.1 That this report is received, and the Prudential Indicators noted as at the end of June 2022.

5. Contribution to the Carlisle Plan Priorities

5.1 To ensure that the Council's investments are in line with appropriate policies including the Treasury Management Strategy Statement.

Contact Officer: Emma Gillespie **Ext: 7289**

Appendices attached to report: Appendix A1 – Treasury Transactions
Appendix A2 – Investment Transactions
Appendix A3 – Outstanding Investments
Appendix B1 – Prudential Code background

Appendix B2 – Prudential Indicators

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- **None**

Corporate Implications

Legal – Treasury Management activities are delegated to the Corporate Director of Finance and Resources and Financial Procedure Rule 3.19 requires that she prepare an annual report on the topic. This Report fulfils that obligation.

Property Services – Not applicable

Finance – Included in the report

Equality - This report raises no explicit issues relating to the public sector Equality Duty

Information Governance – No implications

APPENDIX A1

TREASURY TRANSACTIONS
APRIL to JUNE 2022

1. LOANS (DEBT)

1.1 Transactions April to June 2022

	Raised		Repaid	
	£	%	£	%
P.W.L.B	0	0.00	0	0.00
Local Bonds	0	0.00	0	0.00
Short Term Loans	0	0.00	0	0.00
Overnight Borrowing	0	0.00	0	0.00
	0		**0**	

This provides a summary of any loans that have been raised or repaid, analysed by type, since the previous report.

1.2 Loans (Debt) Outstanding at end of June 2022

	£
PWLB	12,812,500
Short Term Loans	12,800
	12,825,300

1.3 Loans Due for Repayment (Short Term)

	PWLB £	Overnight £	Other £	Total £
Short Term Debt at end June 2022	475,000	0	12,800	**487,800**

2. INVESTMENTS

	Made		Repaid	
	£	%	£	%
Short Term Investments	12,050,000	0.51-2.05	8,290,000	0.51-0.81
	12,050,000		**8,290,000**	

A full schedule of investment transactions is set out in Appendix A2. Appendix A3 shows outstanding investments at end of June 2022. The weighted average return achieved on all investments as at the end of June was 1.42%. Bank base rate stood at 1.25% on the final day this report covered.

3 REVENUES COLLECTED

To: June 2022		Collected £	% of Amount Collectable %
2022/23	Council Tax	21,209,673	28.97
	NNDR	13,567,381	31.76
Total		**34,777,053**	**30.00**
2021/22	Council Tax	20,326,669	28.88
	NNDR	8,764,152	32.61
Total		**29,090,821**	**29.61**
2020/21	Council Tax	18,885,338	28.22
	NNDR	6,493,519	28.27
Total		**25,378,857**	**28.23**

4 BANK BALANCE

At end of June 2022, £227,423 in hand.

This is the Council’s bank balance at the end of the last day covered by the report.

5 PERFORMANCE ON TREASURY MANAGEMENT BUDGET TO END OF JUNE 2022

April – June 2022

	Profiled Budget £000	Actual £000	Variance £000
Interest Receivable	(50)	(70)	(20)
Interest Payable	193	0	(193)
Less Rechargeable	0	0	0
	193	**0**	**(193)**
Principal Repaid (MRP)	268	68	(200)
Debt Management	12	13	1
NET BALANCE	**423**	**11**	**(412)**

The profiled budget is to the end of June 2022.

Interest receivable is in line with current budget expectations.

The dividends received from the property fund have maintained an income of approximately £32,000 per quarter. The yield to the end of June was 3.09%. The valuation of the investment at the end of June was £4,068,820.

Interest payable is currently below budget due to no new borrowing entered into yet.

APPENDIX A2

INVESTMENT TRANSACTIONS APRIL TO JUNE 2022

INVESTMENTS MADE			INVESTMENTS REPAID	
	£			£
Federated Investors	4,000,000.00		Standard Chartered	1,000,000.00
Standard Chartered	1,000,000.00		HSBC	1,350,000.00
Standard Chartered	1,000,000.00		Standard Chartered	1,000,000.00
HSBC	1,350,000.00		HSBC	3,940,000.00
Standard Chartered	1,000,000.00		Standard Chartered	1,000,000.00
HSBC	3,700,000.00			
TOTAL	**12,050,000**			**8,290,000**
			Bfwd	25,866,729
			Paid	12,050,000
			Repaid	8,290,000
			Total	**29,626,729**
			CCLA	**202,091**
			Total	**29,828,820**

APPENDIX A3

Outstanding Investments as at 30 June 2022

Category	Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Days to maturity at execution	Total Interest Expected (£)
Y	MMF Federated Investors (UK)	4,000,000	1.12%		MMF		
O	HSBC UK Bank Plc (RFB)	4,760,000	1.00%		Call1		
R	Standard Chartered Bank	1,000,000	1.23%	30/03/2022	29/07/2022	121	4,078
O	HSBC UK Bank Plc (RFB)	5,000,000	1.16%		Call31		
R	Standard Chartered Bank	1,000,000	1.35%	30/03/2022	26/08/2022	149	5,511
R	Standard Chartered Bank	1,000,000	1.48%	29/04/2022	28/10/2022	182	7,380
R	Standard Chartered Bank	1,000,000	1.59%	27/05/2022	25/11/2022	182	7,928
R	Standard Chartered Bank	1,000,000	2.05%	24/06/2022	22/12/2022	181	10,166
R	Santander UK PLC	7,000,000	1.01%		Call180		
	Total Investments	**£25,760,000**	**1.14%**			**163**	**£35,062**

Borrower	Current Market Value (£)	Current Yield	Start Date	Initial Investment (£)	Initial Market Value (£)	Unrealised Growth (£)	% Growth
CCLA Property Fund	**4,068,820**	**3.09%**	31/07/2014	3,000,000	2,836,896	**1,068,820**	35.6%

1. Entry Costs were charged against Treasury Management Budget in 2014/15

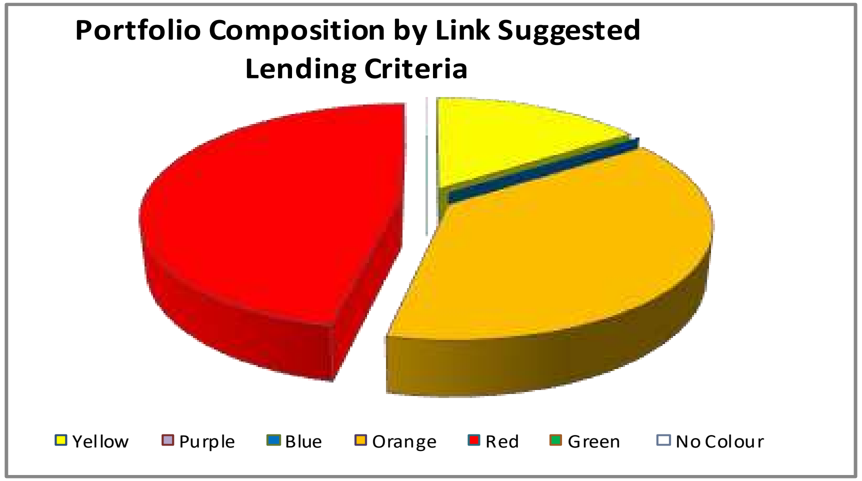
N.B Interest is recognised in the appropriate financial year in which it is due.

Investment Summary

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	Weighted Average Rate of Return WARoR	Weighted Average Days to Maturity WAM	Weighted Average Days to Maturity from Execution WAM at Execution
Yellow	15.53%	4,000,000	100.00%	4,000,000	15.53%	1.12%	0	0
Purple	0.00%	-	0.00%	-	0.00%	0.00%	0	0
Blue	0.00%	-	0.00%	-	0.00%	0.00%	0	0
Orange	37.89%	9,760,000	100.00%	9,760,000	37.89%	1.08%	16	16
Red	46.58%	12,000,000	58.33%	7,000,000	27.17%	1.23%	149	173
Green	0.00%		0.00%	-	0.00%	0.00%	0	0
No Colour	0.00%	-	0.00%	-	0.00%	0.00%	0	0
	100.00%	**25,760,000**	**80.59%**	**20,760,000**	**80.59%**	**1.14%**	**76**	**87**

Risk Score for Colour (1 = Low, 7 = High)	Jun-22	Mar-22	Dec-21	Sep-21
1	0.16	0.0	0.1	0.0
2	0.0	0.0	0.0	0.0
3	0.0	0.0	0.0	0.0
4	1.5	1.8	1.5	1.7
5	2.3	2.7	2.4	2.8
6	0.0	0.0	0.0	0.0
7	0.0	0.0	0.0	0.0
	4.0	**4.5**	**4.0**	**4.5**
Normal' Risk Score	**3.5**	**3.5**	**3.5**	**3.5**

	Link's Suggested Criteria
Y	Up to 5 Years
P	Up to 2 Years
B	Up to 1 Year
O	Up to 1 Year
R	Up to 6 months
G	Up to 3 months
N/C	No Colour



APPENDIX B1

THE PRUDENTIAL CODE AND PRUDENTIAL BORROWING

1. Introduction

1.1 The Local Government Act 2003 brought about a new borrowing system for local authorities known as the Prudential Code (the Code). This gives to Councils much greater freedom and flexibility to borrow without government consent so long as they can afford to repay the amount borrowed.

1.2 The aim of the Code is to support local authorities when making capital investment decisions. These decisions should also be in line with the objectives and priorities as set out in the Council's Corporate Plan.

1.3 The key objectives of the Code are to ensure, within a clear framework, that the capital investment plans of the Council are affordable, prudent and sustainable, or if appropriate, to demonstrate that they may not be. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability. These objectives are consistent with and support local strategic planning, local asset management planning and proper option appraisal. They also encourage sound treasury management decisions.

2. Prudential Indicators

2.1 To demonstrate that the Council has fulfilled these objectives, the Code sets out indicators that must be used. It is for the council to set any indicative limits or ratios. It is also important to note that these indicators are not designed to be comparative performance figures indicators but to support and record the Council's decision-making process.

2.2 Appendix B2 sets out the latest performance indicators for the current year.

3. Supported and Unsupported (or Prudential) Borrowing

3.1 Local authorities have always funded a substantial element of their capital programme via borrowing. This continues to be the case but until the introduction of the Prudential Code any local authority borrowing was essentially based upon a government 'permission to borrow'. Following the introduction of the Prudential Code in 2003, the permission to borrow was essentially withdrawn and Councils were given greater freedom to borrow so long as they can demonstrate that the revenue consequences of such borrowing (i.e. the cost of the debt) are sustainable, affordable and prudent in the medium to long term.

APPENDIX B2

PRUDENTIAL INDICATORS

Central to the operation of the Prudential code is the compilation and monitoring of prudential indicators covering affordability, prudence, capital expenditure, and treasury management. Set out below are the indicators for 2022/23 to date as detailed in the Treasury Management Strategy Statement for 2022/23.

(a) Affordability

	2022/23 Original Estimate £	2022/23 Current £
(i) Capital Expenditure	36,074,100	45,526,000
(ii) Financing Costs		
Total Financing Costs	1,049,900	(2,261)
(iii) Net Revenue Stream		
Funding from Govt Grants/Local Taxpayers	14,309,000	14,309,000
(iv) Ratio of Financing Costs to Net Revenue Stream	7.34%	(0.02%)
The figures monitor financing costs as a proportion of the total revenue stream from government grants and local taxpayers. The increase in the ratio of financing costs is mainly attributable to the forecast reduction in investment income.		
(v) Incremental Impact on Council Tax	8.85	8.85
This indicator allows the effect of the totality of the Council's capital investment decisions to be considered at budget setting time.		
(vi) Authorised Borrowing Limit	52,100,000	52,100,000
Maximum Level of Borrowing and Other Long term Liabilities	41,106,000	41,106,000
The authorised borrowing limit is determined by Council prior to the start of the financial year. The limit must not be altered without agreement by Council and should not be exceeded under any foreseeable circumstances.		

	2022/23 Original Estimate £	2022/23 Current £
(vii) Operational Borrowing Limit	47,100,000	47,100,000
Maximum Level of Borrowing and Other Long term Liabilities	41,106,000	41,106,000
The operational borrowing limit is also determined by Council prior to the start of the financial year. Unlike the authorised limit, it may be breached temporarily due to cashflow variations but it should not be exceeded on a regular basis.		
(viii) Capital Financing Requirement (CFR)	50,878,000	50,878,000
As at 31 March		
The CFR is a measure of the underlying borrowing requirement of the authority for capital purposes.		

(b) Prudence and Sustainability

	2022/23 Original £
(i) New Borrowing to Date	0
No Long Term Borrowing has been taken in 2022/23 to date	
(ii) Percentage of Fixed Rate Long Term Borrowing	
at June 2022	100%
(iii) Percentage of Variable Rate Long Term Borrowing	
at June 2022	0%
Prudent limits for both fixed and variable rate exposure have been set at 100%. This is due to the limited flexibility available to the authority in the context of its overall outstanding borrowing requirement.	
(iv) Minimum Level of Investments Classified as Specified	50.00%
Level of Specified Investments as at June 2022	100.00%
As part of the Investment Strategy for 2022/23, the Council set a minimum level of 50% for its specified as opposed to non specified investments. The two categories of investment were defined as part of the Strategy but for the City Council non specified investments will presently refer mainly to either investments of over one year in duration or investments placed with building societies that do not possess an appropriate credit rating. These tend to be the smaller building societies.	

EXCERPT FROM THE MINUTES OF THE EXECUTIVE
HELD ON 30 AUGUST 2022

EX.113/22 TREASURY MANAGEMENT - APRIL TO JUNE 2022
(Non Key Decision)

Portfolio Finance, Governance and Resources

Relevant Scrutiny Panel People Panel

Subject Matter

The Leader presented report RD.33/22, the purpose of which was to inform Members on various Treasury Management issues.

Appendix A set out the Schedule of Treasury Transactions for the period April - June 2022, whist Appendix B discussed the Prudential Code and Prudential Indicators.

The Leader moved, and the Economy, Enterprise and Housing Portfolio Holder seconded, that the Executive receive the report and note the Prudential Indicators as at the end of June 2022.

Summary of options rejected None

DECISION

That Report RD.33/22 be received, and the Prudential Indicators noted as at the end of June 2022.

Reasons for Decision

To inform the Executive of various Treasury Management issues